

Introduced by Senator Ortiz

February 18, 2005

An act to amend Section 22855 of the Government Code, relating to public employee benefits.

LEGISLATIVE COUNSEL'S DIGEST

SB 545, as introduced, Ortiz. Public employee benefits: health benefit plans.

The Public Employees' Medical and Hospital Care Act authorizes the Board of Administration of the Public Employees' Retirement System to contract with carriers for health benefit plans and major medical plans for employees and annuitants, as defined, and approve other specified plans. Existing law requires the board to give reasonable notice of its intention to withdraw approval of a plan, as specified, and prohibits the board from withdrawing approval except when notice has been given and all interested parties have been afforded a reasonable opportunity for public hearing on the question.

This bill would create additional requirements for the board in connection with a change of a health benefits plan or withdrawing approval of a health benefits plan. The bill would require, among other things, that the board provide complete and explicit public notice of a proposed change or withdrawal and provide an explanation of the change or withdrawal and cost comparisons for alternative and equivalent services. The bill would also require the board and specified staff members attend open public meetings and hearings, obtain an independent evaluation and verification, as specified, regarding assumptions about accessibility of health care services, costs, and potential savings. The bill would require the board to provide, as specified, an explicit and understandable explanation of board's final decision and rationale.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 22855 of the Government Code is
2 amended to read:

3 22855. (a) The board shall withdraw its approval of a health
4 benefit plan if it finds that the plan or carrier is not in compliance
5 with the standards prescribed therefor, that the plan or carrier has
6 not paid or will be unable to pay claims accrued or to accrue, or
7 for other good cause as shown. The board shall provide
8 reasonable notice of its intention to withdraw approval of a
9 health benefit plan to any carrier, employee organization, or
10 organization of physicians that may be directly interested, to the
11 persons enrolled in the health benefit plan, and to other persons
12 and organizations as the board may deem proper. The notice shall
13 state the effective date of, and reason for, the withdrawal of
14 board approval. The approval of a health benefit plan may not be
15 withdrawn until after the notice and after all interested parties
16 have been afforded reasonable opportunity for public hearing on
17 the question. The hearings shall be conducted, insofar as
18 practicable, pursuant to Chapter 5 (commencing with Section
19 11500) of Part 1 of Division 3.

20 (b) *The board shall satisfy all of the following requirements*
21 *when the board intends to make a change of a health benefits*
22 *plan or to withdraw approval of a health benefits plan:*

23 (1) *The board shall provide complete and explicit public*
24 *notice to affected employees and annuitants. The board shall*
25 *mail the notice to employees and annuitants, shall post the notice*
26 *conspicuously on the Web site for the system, and shall publish*
27 *the notice in major daily newspapers throughout the state.*

28 (2) *The board shall make available to affected employees and*
29 *annuitants, the Legislature, and the public an explanation of the*
30 *change or withdrawal and cost comparisons for alternative and*
31 *equivalent services.*

32 (3) *The recommendation for the change or withdrawal*
33 *provided by staff to the board's health care decisionmaking*
34 *body, and the recommendation provided by that body to the*
35 *board, shall each be subject to a mandatory public review period*

1 of 45 days. The board shall provide notice of these
2 recommendations, and the beginning and ending dates of the
3 review period, on the Web site for the system, and shall publish
4 the notice in major daily newspapers throughout the state.

5 (4) The board shall hold open public meetings and hearings
6 on the change or withdrawal and shall accept testimony from
7 employees and annuitants. The board shall provide an
8 explanation, both oral and written, of the reasoning for the
9 change or withdrawal, and the explanation shall include
10 discussion of costs and alternatives for access to health care. The
11 meetings and hearings shall be attended by the board and by the
12 staff from the Office of Health Policy and Plan Administration
13 and the Office of Decision and Support Services that were
14 involved in the decision to make the change or withdrawal.

15 (5) The board shall use data from the Office of Statewide
16 Planning and Development in reaching its conclusions regarding
17 the accessibility of health care services, costs, and potential
18 savings connected with the change or withdrawal. The board
19 shall obtain an independent evaluation and verification
20 regarding any assumptions about accessibility of health care
21 services, costs, and potential savings. An independent consulting
22 or accounting firm that does not have a current contract with the
23 system shall provide the evaluation and verification. The board
24 shall make this information available to the employees,
25 annuitants, and the Legislature. Any trade secret or similar
26 confidential information or shall be redacted from the
27 information.

28 (6) The board's final decision on the change or withdrawal
29 and its rationale shall be sent directly to affected employees and
30 annuitants, and the Legislature. The decision and its rationale
31 shall be provided to the public on the Web site for the system.
32 The rationale for board's final decision shall be explicit and
33 understandable.